MEET Follow Up Meeting

Senior Officials Meeting on Global Environment and Energy in Transport

Session 3 Financing

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Outline

1. Context and Rationale for Climate Change Financing

2. Climate Investment Funds

3. Towards a Greater Role for Transport






Context and Rationale for Climate Change Financing in Developing Countries

- Rationale depends on allocation and distributive principles
  - Basis of agreement in UN Framework Convention CC
  - Polluter pays
  - Equal emission budgets per person
- Late accession leads to higher costs for countries with earlier policy action






Context and Rationale for Climate Change Financing in Developing Countries

Basis of agreement to UN Framework Convention on Climate Change (1992)

(Parties acknowledge*) "that the global nature of climate change calls for the widest possible* cooperation by all countries and their participation in an effective and appropriate international response, *in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions*,"






Rationale of transfer or concessional finance from developed to developing countries, Argument 1

- Developing countries have emitted less GHG's than developed countries
- Equal mitigation policies imply higher relative burden for developing countries

⇒ Basis of resistance against mitigation policies in developing countries






Rich countries have emitted more

- With respect to the allocation of a burden sharing, cumulative emissions are more important
  - Cumulated emissions of industrialized countries are far higher than of developing countries.
  - Annual flow values of developing countries already exceed those of developed countries.
  - Developing countries will overtake developed countries in cumulative emissions soon.
- Burden sharing has to refer to development forgone.






Rich countries have emitted more, but poor countries are catching up

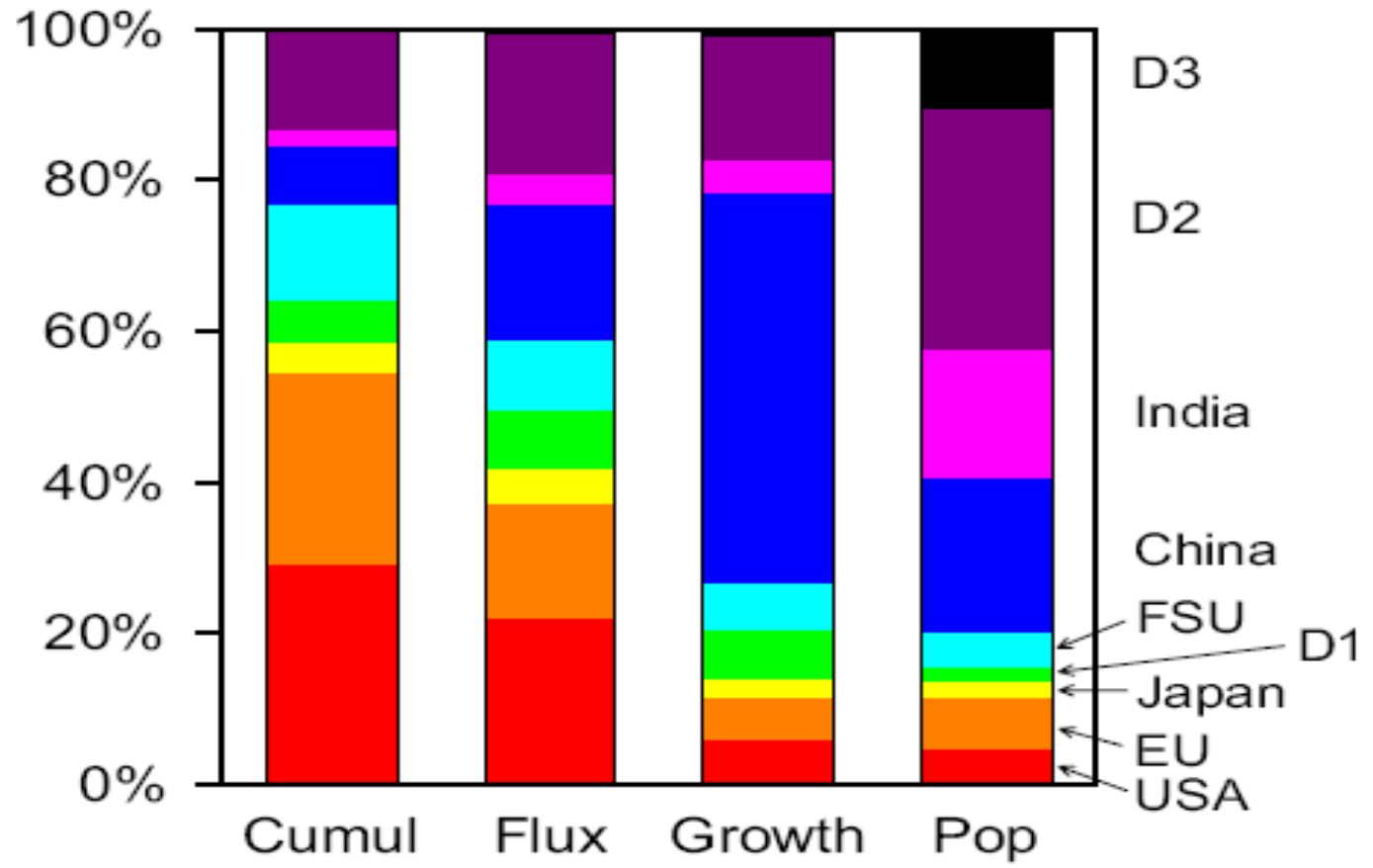
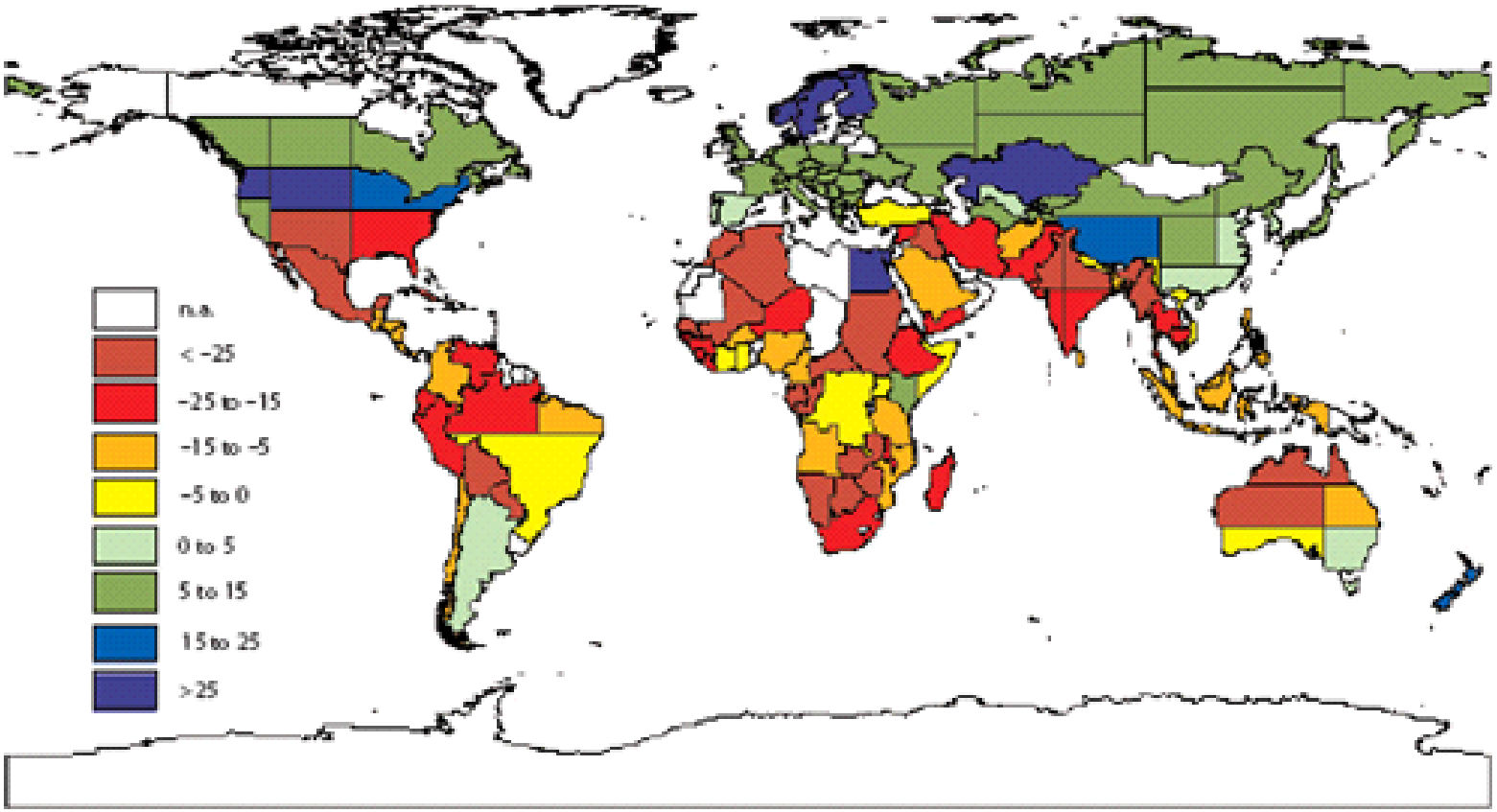


Fig. 5. Relative contributions of nine regions to cumulative global emissions (1751–2004), current global emission flux (2004), global emissions growth rate (5 year smoothed for 2000–2004), and global population (2004). Data sources as in Table 1, with pre-1980 cumulative emissions from CDIAC.

Poor countries are more strongly affected

Impact on agricultural productivity with carbon fertilization



Rationale of transfer or concessional finance from developed to developing countries, Argument 2

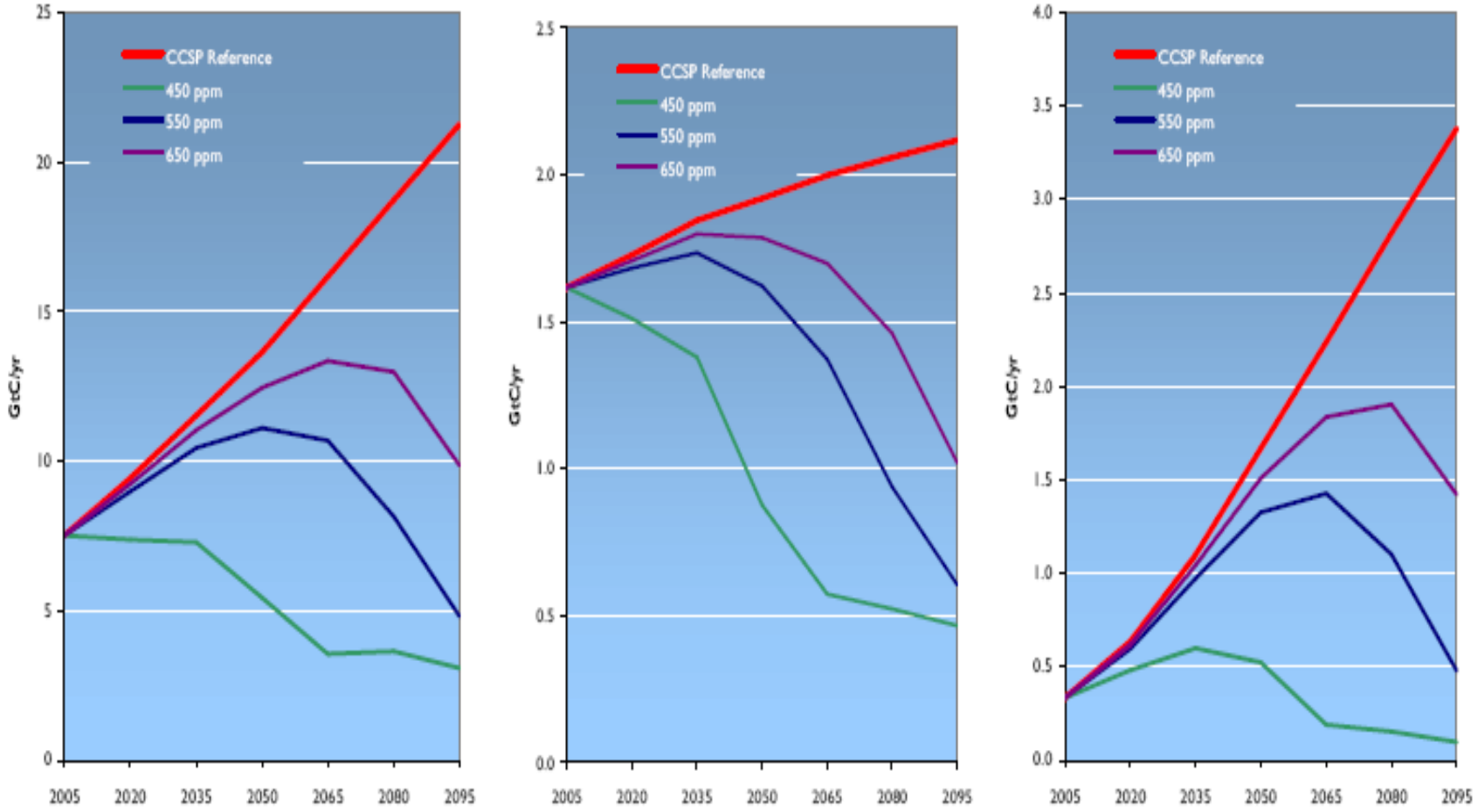
Late adoption leads to higher costs for countries with earlier policy action

- Costs of mitigation interventions depend on (physical) targets for 2050
- The more ambitious the targets the more dramatic will be the mitigation cost consequences for rich countries of late accession of poor countries.

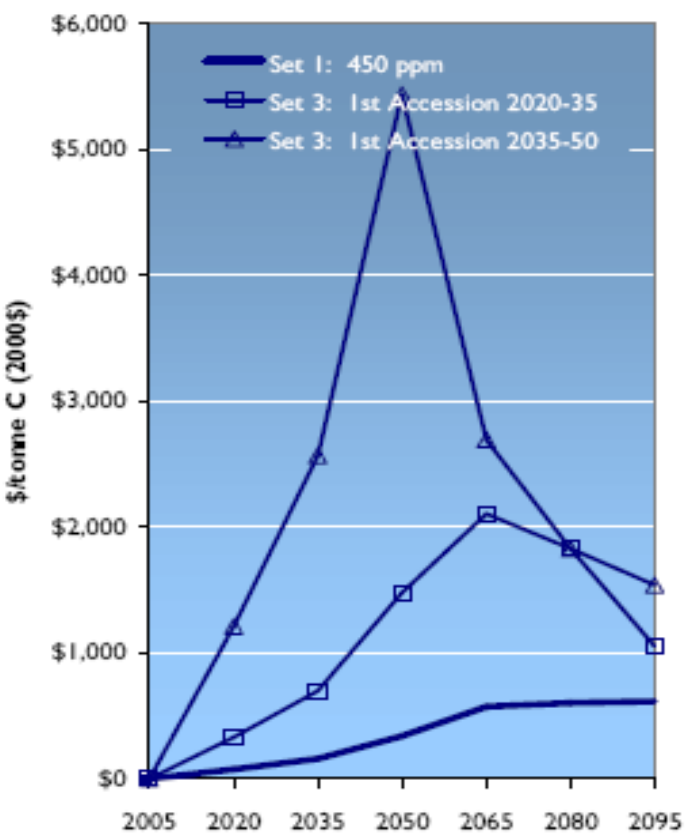


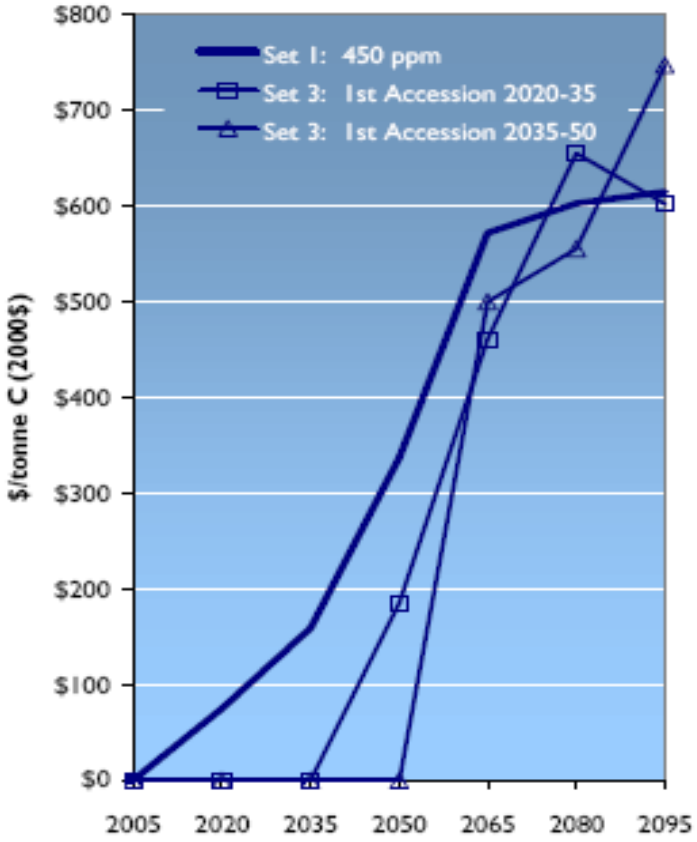



GHG emission scenarios: global, US and India



Consequences for carbon price of Annex one countries and India





Economic Efficiency & Equity

Relative costs of meeting 550 ppm Stabilisation	Annex 1 Countries	Other Countries	Total
Immediate action by all countries	$0.28	$0.72	$1.00
Delayed introduction in developing countries			
Sudden application			
Delayed introduction to 2020	$0.35	$0.77	$1.12
Delayed introduction to 2035	$0.45	$0.83	$1.28
Delayed introduction to 2050	$0.68	$0.97	$1.65
Phased application			
Delayed introduction to 2020	$0.91	$0.56	$1.47
Delayed introduction to 2035	$1.12	$0.57	$1.69
Delayed introduction to 2050	$1.72	$0.67	$2.39

Edmonds et. al., in press

Immediate action, combined with a transfer of 16% of global mitigation cost to non-Annex 1 (i.e. developing) countries, is the most effective and equitable option.

Context and Rationale for Climate Change Financing Summary

- Polluter pays principle gives reason for developed countries to concessional finance additional costs of low-carbon development
- Increased costs of delayed participation of developing countries in mitigation efforts imply that transfer and concessional finance is in the self-interest of developed countries






Climate Investment Funds

- Climate Investment Funds do not pre-empt or substitute a Global Financial Architecture as an outcome of the UNFCCC negotiations
  - Small dimension of the Funds
  - No link to generation of fiscal resources by global incentive scheme like carbon trading or carbon tax
- Funds are interim measures for the MDB's to fill an immediate financing gap.
- CIF resources are additional to existing development assistance.
- Countries with an active MDB country program have access






Climate Investment Funds

- Climate Investment Funds
  - Clean Technology Fund
  - Strategic Climate Fund
    - SCF Pilot Program for Climate Resilience






Climate Investment Funds

- 12 Donor Countries pledged US $ 6.3 billion
- Value of pledges has been reduced by developments on currency markets
- Actual payments have been small relative to the pledges
- Trust Fund Committees may approve financing on a contingent basis subject to the availability of funds in the CTF
- SCF Trust Fund Committee is defining and reporting on resource availability for the windows of SCF






Clean Technology Fund

- Overall objective:

  To promote scaled-up financing for demonstration, deployment and transfer of low carbon technologies with a significant potential for long-term greenhouse gas emissions savings

- Sectoral focus
  - Power Sector
  - Transport
  - Energy efficiency: buildings, energy, agriculture






Clean Technology Fund

- Access:
  - Countries request project missions from WBG and relevant regional MDB
  - Investment plan developed under the leadership of countries
  - Trust Fund Committee reviews and decides according to
    - Potential GHG savings
    - Demonstration potential
    - Development impact






Clean Technology Fund

- Trust Fund Committees and Sub-Committees have an equal number of representatives from contributor countries and from eligible recipient countries
- Members: Australia, Brazil, China, Egypt, France, Germany, India, Japan, Mexico, Morocco, South Africa, Spain, Sweden, Turkey, UK, and US






Strategic Climate Fund

- Objectives
  - To provide experiences and lessons in responding to the challenge of climate change
  - Targeted programs with dedicated funding to provide financing to pilot new approaches with potential for scaled-up, transformational action aimed at a specific climate change






Strategic Climate Fund

- Strategic Climate Fund Trust Fund Committee

  Algeria, Australia, Bangladesh, Canada, Costa Rica, ECA Seat (tba), Germany, Indonesia, Japan, Kenya, Netherlands, Norway, Switzerland, Thailand, UK, and Yemen

- Pilot Program for Climate Resilience Sub-Committee

  Australia, Bangladesh, Bolivia, Canada, Germany, Japan, Maldives, Samoa, Senegal, UK, Yemen, and the Adaptation Fund

SCF Pilot Program for Climate Resilience

- Focus on adaptation
- Provide incentives for scaled-up action and transformational change in integrating consideration of climate resilience in national development planning consistent with poverty reduction and sustainable development goals
- Provide additional financial resources to help fund public and private sector investments identified in climate resilient development plans






Towards a greater role for the transport sector

- Transport sector projects have had little resonance compared to other sectors, e.g. 2 out of 1300 registered CDM projects
- Reasons:
  - High costs of GHG emission reductions compared to other sectors
  - Importance of behavioral changes rather than mere technology substitution
  - Narrow, technology focused evaluation perspective of current programs






Towards a greater role for the transport sector

- Accounting schemes have to be complemented by value parameters which reflect user behavior
- Incentive schemes which induce rather than implement technology substitution have to be supported
- Evaluation has to take co-benefits of GHG emission reduction into account: local health effects, transport safety, congestion have a higher value and motivate local decision makers






Thank you!